

U.S. Department of Labor

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Office of Labor-Management Standards
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September 27, 2007

Mr. Mike Kruk, Financial-Secretary
Carpenters, IND
Local 413
315 N. Lafayette Blvd.
South Bend, IN 46601

LM File Number: 012-613

Case Number [REDACTED]

Dear Mr. Kruk:

This office has recently completed an audit of under the Compliance Audit Program (CAP) to determine your organization's compliance with the provisions of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA). As discussed during the exit interview with you, Treasurer Chris Springer, and Office Secretary Sandra DeMeyer on August 9, 2007, the following problems were disclosed during the CAP. The matters listed below are not an exhaustive list of all possible problem areas since the audit conducted was limited in scope.

Recordkeeping Violations

Title II of the LMRDA establishes certain reporting and recordkeeping requirements. Section 206 requires, among other things, that labor organizations maintain adequate records for at least five years by which each receipt and disbursement of funds, as well as all account balances, can be verified, explained, and clarified. As a general rule, labor organizations must maintain all records used or received in the course of union business.

For disbursements, this includes not only original bills, invoices, receipts, vouchers, and applicable resolutions, but also documentation showing the nature of the union business requiring the disbursement, the goods or services received, and the identity of the recipient(s) of the goods or services. In most instances, this documentation requirement can be satisfied with a sufficiently descriptive expense receipt or invoice. If an expense receipt is not sufficiently descriptive, a union officer or employee should

write a note on it providing the additional information. For money it receives, the labor organization must keep at least one record showing the date, amount, purpose, and source of that money. The labor organization must also retain bank records for all accounts.

The audit of Local 4's 2006 records revealed the following recordkeeping violations:

1. Disposition of Property

Local 413 did not maintain an inventory of hats, jackets, and other property it purchased, sold, or gave away. The union must report the value of any union property on hand at the beginning and end of each year in Item 28 on the LM-2. The union must retain an inventory or similar record of property to verify, clarify, and explain the information that must be reported in Item 28.

The union must record in at least one record the date and amount received from each sale of union hats, jackets and other items.

2. Failure to Adequately Record Receipts

Local 413 did not adequately record in its receipt records all information regarding receipts received from the sale of supplies. For example, Local 413 did not consistently record the date and the source of the money received from the sale of supplies for an amount totaling \$3,531.00. Union receipts must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

Based on your assurance that Local 413 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violations

The audit disclosed a violation of LMRDA Section 201(a), which requires that a union submit a copy of its revised bylaws with its LM report when it makes changes to its bylaws. Local 413 amended its bylaws in 2005, but did not file a copy with its LM report for that year. Local 413 has now filed a copy of its bylaws.

The audit disclosed a violation of LMRDA Section 201(b), which requires labor organizations to file annual financial reports accurately disclosing their financial condition and operations. The Labor Organization Annual Report Form LM-2 filed by Local 413 for fiscal year ending December 31, 2006, was deficient in the following areas:

1. Item 15 - Acquire / Dispose of Property

Item 15 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered, "Yes," because the union gave away t-shirts, jackets, watches, and other union related paraphernalia totaling more than \$4,400.00 during the year. The union must identify the type and value of any property given away in additional information section of the LM report along with the identity of the recipient(s) such property. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees."

2. Item 21(b) - Working Dues / Fees

Local 413 did not correctly report the rate of working dues and fees. The audit revealed that the local receives .5% of its members' gross wages in working dues instead of 3.5%.

3. Item 39 - Sale of Supplies

Local 413 did not correctly report receipts from the sale of supplies. The audit revealed that during 2006, Local 413 collection receipts totaling at least \$3,500 for the sale of supplies. These receipts were mistakenly reported under Item 48: Other Receipts. The LM-2 instructions require that the union report receipts for the sale of supplies in Item 39 (Sale of Supplies). In addition, it must report the value of any supplies for resale on hand at the beginning and end of the year in Item 28 and Schedule 7 (Other Assets).

OLMS is not requiring that Local 413 file an amended LM report for 2006 to correct the deficient items, but Local 413 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. The State and Local Candidate Contribution Fund

As I discussed during the exit interview, the Local 413 maintains a separate fund entitled the State and Local Candidate Contribution Fund (SLCCF). The purpose of the SLCCF is to donate local union funds to state and local candidates; however, the audit revealed that this fund is administered by a committee, which makes these donations without membership approval. Section 54 D of the UBC Constitution states, "All monies paid out of the funds of the local union...must be by majority vote of all members present." As such, OLMS recommends that the committee governing the SLCCF bring all proposed donations to the membership during the regular membership meetings for approval prior to making the donations.

2. Use of Signature Stamps and Pre-Signed Checks

During the audit, you advised that it is an occasional practice of Local 413 to have you sign a union check and stamp the signature of Recording-Secretary Tony Mroczkiewicz on the check when no other officers are available. You indicated that you attempt to contact Mroczkiewicz prior to using the stamp to obtain his permission. During the audit, you also advised me that you occasionally sign blank checks. Section 37 A of the UBC Constitution states, "All checks of the local union must be signed by two or more officers of the local union." The two signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, the use of a signature stamp for the second signer does not attest to the authenticity of the completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 413 review these procedures to improve internal control of union funds.

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I want to extend my personal appreciation to Carpenters Local 413 for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you make sure this letter and the compliance assistance materials provided to you are passed on to future officers. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,

[REDACTED]

Investigator

cc: Chris Springer, Treasurer
Sandra DeMeyer, Office Secretary